

Message Text

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ACTION EUR-12

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FM AMEMBASSY VIENNA
TO USMISSION OECD PARIS
SECSTATE WASHDC 7570

C O N F I D E N T I A L VIENNA 0366

E.O. 11652: GDS
TAGS: EAID, EFIN, AU
SUBJECT: INCREASED USE OF ERP FUNDS BY AUSTRIA FOR DEVELOPMENT

REFS: A) OECD PARIS 31562, B) VIENNA A-013

1. AS DEPARTMENT AND PARIS OECD AWARE EMBASSY
OVER PAST FEW YEARS HAS FREQUENTLY DISCUSSED
SUBJECT WITH GOA OFFICIALS. OUR LEVERAGE IS OF COURSE
SOMEWHAT LIMITED INSOFAR THAT WE NO LONGER HAVE ANY
DIRECT CONTROL OVER GOA USE OF THESE FUNDS. NEVERTHE-
LESS THE SUBJECT HAS FREQUENTLY BEEN RAISED IN
CONVERSATIONS, PARTICULARLY WITH AID COORDINATOR ZUK AND STATE
SECRETARY VESELSKY, TWO KEY OFFICIALS IN THIS AREA.

2. ZUK, WHO IS RESPONSIBLE FOR AUSTRIA'S AID OPERATIONS
IN FEDERAL CHANCELLERY, IS BASICALLY FAVORABLY DISPOSED
AND HAS FREQUENTLY TRIED TO OBTAIN A LARGER ALLOCATION
OF ERP FUNDS FOR USE IN AUSTRIAN LDC DEVELOPMENT
PROJECTS. HOWEVER, HIS EFFORTS HAVE USUALLY BEEN
THWARTED BECAUSE OF HIGHER PRIORITY DOMESTIC DEMANDS
ON THESE FUNDS. MOST DRAMATIC EXAMPLE OF FOREGOING
WAS LAST YEAR'S GOA DECISION TO USE ERP FUNDS TO
STIMULATE DOMESTIC INVESTMENT AS A COUNTER-CYCICAL
MEASURE AND TO FORESTALL A MAJOR DOWNTURN IN THE
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ECONOMY. THIS WAS IN FACT A RATHER DELICATE

PERIOD FOR EMBASSY SINCE GOA ATTEMPTED TO DRAW USG INTO VARIUS SCHEMES TO SUBSIDIZE DOMESTIC INTEREST RATES. ZUK HIMSELF WAS CAUGHT BETWEEN VARIOUS INTERNAL POLITICAL AND BUREAUCRATIC PRESSURES AND COULD DO NOTHING MORE BUT HOLD THE LINE ON THE PRESENT PROGRAM.

3. GIVEN THE CURRENT UNCERTAIN ECONOMIC SITUATION IN AUSTRIA AND CONTINUING INTERNAL BUDGETARY PROBLEMS WE SEE LITTLE IMMEDIATE PROSPECT THAT ERP DEVELOPMENT PERFORMANCE WILL IMPROVE. HOWEVER, IT IS A SUBJECT WHICH WE FREQUENTLY RAISE IN CONVERSATIONS WITH APPROPRIATE GOA OFFICIALS. VESELSKY RECENTLY TOLD US INFORMALLY THAT HE WAS TOYING WITH IDEA OF TYING EXPANDED USE OF ERP FUNDS FOR AID PURPOSES INTO AUSTRIAN PROPOSAL OF A NEW TYPE AID PROGRAM THAT WOULD HAVE THE DUAL PURPOSE OF ASSISTING RECIPIENT COUNTRY AS WELL AS STAGNANT EXPORT INDUSTRIES OF DONOR COUNTRY (SEE SECTION "DEVELOPMENT QUESTIONS" IN REF B). IN COMMENTING ON THESE IDEAS WE SEE A GOOD OPPORTUNITY TO KEEP UP PRESSURE ON AUSTRIANS TO IMPROVE THEIR AID PERFORMANCE.

4. SUBSEQUENT TO DRAFTING OF ABOVE PARAS, ECON/COM COUNS MENTIONED SUBJECT TO VESELSKY JANUARY 15 OBSERVING THAT "AUSTRIA'S DAC REPORT CARD" WAS NOT A VERY GOOD ONE AND ASKED WHETHER VESELSKY PLANNED TO DO ANYTHING TO RECTIFY THIS SITUATION. COUNS ALSO WONDERED WHETHER THERE WAS ANY CHANCE THAT SITUATION RE ERP FUND REFLows FOR AID PURPOSES MIGHT IMPROVE IN 1976. VESELSKY REPLIED HE WAS NOT CERTAIN BUT THAT QUESTION WAS TIMELY SINCE THIS VERY SUBJECT WILL BE ON AGENDA OF MINISTERIAL ECONOMIC MEETING NEXT TUESDAY WHEN GOA WILL DELIBERATE KEY DOMESTIC ECONOMIC POLICY QUESTIONS UNDER CHANCELLOR KREISKY'S CHAIRMANSHIP.BUCHANAN

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